

TRS MEMBER HANDBOOK



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TRS PLAN 1: Key Plan Provisions

Membership Definition

You are a Plan 1 member if you established membership in TRS at any time before October 1, 1977. The equivalent of 90 full days during a fiscal year (July 1-June 30), is required to establish membership. See page 3.

Contribution Rate

You are required to contribute 6 percent of your monthly earnable compensation. This rate is set by law and may only be changed by legislative action. See “Who pays for my benefits?” on page 4.

Contributions

Both you and your employer pay contributions that fund your retirement. Your contributions are refundable only if you leave TRS-covered employment. If you withdraw your contributions prior to retirement, you lose your right to future benefits. You cannot borrow from your contributions or withdraw contributions made by your employer.

How Service Credit Is Accumulated

You earn a full year of service credit if you receive compensation for at least four-fifths - 144 full time days - of the 180-day school year, provided that contributions have been made to TRS. If you work at least 20 days, but less than four-fifths of a fiscal year, you will earn a fraction of a year’s service credit. See “What is service credit?” on page 4.

Eligible for Retirement

- You are eligible to retire if you:
- Have at least 30 service credit years regardless of age,
 - Are at least age 55 and have at least 25 service credit years, or
 - Are age 60 or older and have at least five service credit years. See page 10.

Average Final Compensation (AFC)

Your average final compensation is the total earnable compensation for your two consecutive highest-paid fiscal years divided by two. See “Calculating your benefit” on page 10.

Benefit Formula

$2\% \times \text{Service Credit Years} \times \text{AFC} \div 12 = \text{Monthly Benefit}$. See “Calculating your benefit” on page 10.

Maximum Benefit

In most cases, your retirement benefit may not exceed 60 percent of your AFC. Contact DRS for more information.

Cost of Living Adjustment (COLA)

TRS Plan 1 provides an automatic COLA as well as gain sharing. An optional COLA is also available. See “Can my benefit increase after I retire?” on page 13.

Disability Retirement

Temporary and permanent disability retirement benefits are available. See “What if I become disabled?” on page 14.

Death in Service Survivor Benefit

If you die with less than 10 years of service and you are not eligible to retire, your contributions plus interest are refunded to your beneficiary. If you die with 10 or more years of service, or you are eligible to retire, your beneficiary can choose between monthly payments or a lump sum refund of your contributions plus interest. See “What benefits do my survivors receive?” on page 15.



This handbook explains your rights and benefits under Plan 1 of the Washington State Teachers' Retirement System (TRS). TRS is administered by the Department of Retirement Systems (DRS). The plan is a 401(a) and provides a lifetime benefit. It is designed to be an important retirement income that, along with Social Security benefits (if you are eligible), personal savings, and other investments, will help pay your living expenses when you retire.

Plan 1 membership definition

You are a Plan 1 member if you established membership in TRS at any time before October 1, 1977. The equivalent of 90 days of full-time employment during a fiscal year (July 1-June 30) is required to establish membership. If you terminate your employment and withdraw your contributions, Plan 1 will be the plan you join if you ever reestablish membership in TRS.

For purposes of this plan, "teacher" means any person who is qualified to teach and is employed by a public school in Washington as an instructor, administrator or supervisor. This includes:

- School district and educational service district superintendents and their assistants,
- State, school district and educational service district employees who are certificated by the Superintendent of Public Instruction, and

- Any full-time school doctor who is employed by a public school and who renders instructional or educational services.

If you are a substitute teacher you should request the publication *The Substitute Teacher's Guide to Obtaining Service Credit* to determine your eligibility. This is available from your employer or TRS and can be downloaded from the DRS Web site at www.drs.wa.gov.

When should I start planning for retirement?

Planning for retirement is an on-going process. DRS has created a *Retirement Planning Checklist* to assist you with planning for a successful retirement. The checklist is available on the DRS Web site.

Here are some simple things you can do to help build your retirement plan:

- As soon as possible, attend one of the DRS Retirement Planning Seminars. These full-day sessions feature qualified speakers on a number of retirement subjects and are free of charge. The dates and locations for these seminars are announced in the member newsletter, *Retirement Outlook*, and on the DRS Web site at www.drs.wa.gov.
- Calculate your future retirement benefit using the *Online Account Access* service on the DRS Web site at www.drs.wa.gov. You can run a variety of retirement scenarios to see what works best for you.

Summary Description

The actual rules governing your benefits are contained in state retirement laws. This handbook is a summary, written in less legalistic terms. It is not a complete description of the law. If there are any conflicts between what is written in this handbook and what is contained in the law, the current law will govern.

- Because there are statutory time limits on restoring contributions withdrawn from your state pension, obtain a copy of the DRS brochure, *Plan 1 Recovery of Withdrawn or Optional Service Credit* or access the publication on the DRS Web site at www.drs.wa.gov, and review the rules that apply to your situation.

Who pays for my benefits?

Your future benefits are funded by contributions — made by you and your employer during your period of membership — and the investment earnings from those contributions. These contributions are held in trust and invested by the Washington State Investment Board (WSIB).

TRS Plan 1 is a defined benefit plan structured under Section 401(a) of the Internal Revenue Code. This means that you will receive a benefit based on your service credit and average final compensation (AFC) at retirement.

Your contributions

You are required to contribute six percent of your “earnable compensation” to TRS. This rate is set by law and may be changed as necessary to reflect the cost of the plan.

“Earnable compensation” means all salaries and wages paid by an employer to a member for services rendered during the “fiscal year.” This includes:

- Pay for additional duties;
- Some forms of severance pay, lump sum payments for accrued leave (except sick leave), and
- Tax-deferred wages, such as TRS contributions.

Contributions are required from all members contracted for 20 or more days during a fiscal year. If you are regularly employed, your contributions are deducted from your

paycheck each pay period before federal income taxes are withheld. Prior to September 1984, contributions were deducted after taxes.

Substitute teachers have the option to join TRS and pay contributions at the end of the school year. For more information, see the publication, *The Substitute Teacher’s Guide to Obtaining Service Credit*. This publication is also available on the DRS Web site.

Your contributions are credited to your annuity fund account. This account, with accrued interest, provides the annuity portion of your retirement benefit. At the time of retirement, you have the option to withdraw all or a portion of your contributions plus interest and receive a reduced benefit. Employer contributions are paid to the trust fund and are **not** refundable to you.

What is service credit?

The amount of your retirement benefit is based on your service credit and your earnable compensation. “Service credit” is based on the number of days of compensated employment reported by your employer for each fiscal year (July 1 through June 30).

You earn one full year of service credit if you receive compensation for at least 144 full-time days of the 180-day school year, provided that contributions have been made to TRS. You may earn a fraction of a year’s service credit for working less than 144 days in a fiscal year, but no service credit will be granted for less than 20 days of service within a fiscal year.

If you retire from active TRS employment or you are eligible to retire when you separate from service, and

- You worked 144 full time days or more in the fiscal year, your benefit begins to accrue on July 1.
- You worked less than 144 full time days in the fiscal year, your benefit begins to accrue the first day of the month following the month in which you terminated all employment with your TRS-covered employer.

If you were **not eligible to retire** when you separated from TRS employment, your benefit begins to accrue on the date you become eligible for retirement.

Your benefit is paid at the end of each month and, in most cases, can be deposited directly in your bank or credit union account.

Example:

Calculating Service Credit

Suppose you taught full-time for 24 years and then during the 2005-2006 fiscal year you taught for a total of 60 days. Sixty days is 33 percent of a full 180-day fiscal year. At the end of the 2005-2006 fiscal year, you have a total of 24.33 years of service credit.

Claiming credit for substitute teaching

If you work as a substitute teacher, your employer(s) reports to DRS the amount of service performed. To receive credit for your service, you must apply for it after June 30. For information about this procedure, ask your employer or TRS for a copy of the publication *The Substitute Teacher's Guide to Obtaining Service Credit*. This publication is also available on the DRS Web site. If your substitute teaching was before the 2004-2005 fiscal year, contact your employer(s) to obtain your quarterly reports.

Can I purchase credit for past service?

You may purchase service credit for earlier periods of employment including:

- Up to two years of approved professional preparation following Washington state public school teaching.
- Up to five years of active service in the United States military if it interrupted your Washington state public school service. If the military service occurred in time of war, you can receive credit for more than five years.
- Up to four years of out-of-state teaching service while on an authorized leave of absence.

If you earned service credit as a teacher in a retirement system outside Washington state, you may be eligible to purchase this service credit. Contact DRS for more information.

You must submit proof of service and a lump sum payment of the required amount (contributions plus interest) by June 30 of the fifth school year following return to membership, or by retirement, whichever comes first.

It is still possible to purchase service credit after the statutory deadline. For more information, see the brochure *Plan 1 Recovery of Withdrawn or Optional Service Credit*.

What if I leave my TRS position?

Leaving your current TRS position before you retire will have an impact on your benefits. The nature of the impact depends on your new employer and whether you withdraw your contributions from TRS.

Withdrawing your contributions

If you leave TRS-covered employment, you may withdraw your contributions plus interest. A withdrawal before retirement cancels all rights to future benefits in TRS. You cannot borrow or withdraw contributions made by your employer.

Withdrawal forms are included in the DRS publication *Withdrawal of Retirement Contributions* which is available through your employer or DRS. You can also download this publication and appropriate forms from the DRS Web site. Processing a withdrawal normally requires 60 to 90 days.

If you resume employment with a TRS-covered employer before payment is made, you are not eligible to receive a withdrawal. If you receive a withdrawal under these circumstances, you must return it to DRS immediately.

Tax implications of withdrawing your contributions

Under federal law, any lump-sum withdrawal of tax-deferred retirement funds is subject to a withholding tax of 20 percent. The 20 percent tax can be avoided only by a “direct rollover” of funds to a qualified tax-deferred retirement account. You can find more about this requirement by reading *Withdrawal of Retirement Contributions*, a publication which is available through your employer or DRS and is also available on the DRS Web site.

Federal tax law may require that you pay a 10 percent penalty at the time you file your income tax. This penalty is in addition to regular income tax on the tax-deferred and

interest portions of contributions that you withdraw before you reach age 59 ^{1/2}. You may be able to avoid this tax penalty by rolling these funds into a qualified tax-deferred retirement account.

DRS is required to report all withdrawals to the Internal Revenue Service (IRS). It is your responsibility to account for the withdrawal on your tax return. For more information on the tax consequences of withdrawing your contributions, contact the IRS or your tax advisor.

Leaving your contributions in the plan

You have the option of leaving your contributions in the plan until April 1 following the calendar year in which you reach age 70 ^{1/2} or retire, whichever is later. Your contributions are earning 5.5 percent interest annually, compounded quarterly. If you leave your contributions in the plan and later return to a TRS-covered position, you retain service credit for the earlier service.

If you leave a TRS-covered position and leave your contributions in the plan, keep TRS informed of your current name, address and beneficiary.

Washington state public schools

If your next job is in a covered position with another public school in Washington state, your membership and service credit will continue.

Employment with a state agency or public school

If you do not withdraw your contributions and your next job is with a state agency or a public school in a position normally covered by the Washington state Public Employees' Retirement System (PERS), you will remain in TRS.

If you withdraw your TRS Plan 1 contributions and then go to work in a state agency, you will be reported as a PERS member. As a dual member, you will be entitled to restore

your withdrawn TRS contributions within two years of going to work with the agency. (See “Restorations for Dual members” on page 8.) Upon restoration of your withdrawn contributions, plus interest, you will return to TRS Plan 1 membership and earn TRS Plan 1 service credit from that time forward. Time spent as a PERS member will remain as PERS service credit.

Reestablishing Membership

If you have withdrawn your contributions and you wish to reestablish membership, you may do so by:

- Working as a contracted teacher for at least 90 calendar days within the fiscal year (July 1 - June 30); or
- Working as a substitute for at least the equivalent of 90 full-time working days within the fiscal year.

Membership exclusions

In most cases, those who are already receiving retirement benefits from another DRS plan will not be able to participate in TRS Plan 1. Contact DRS for more information. Information is also available in the brochure, *Thinking about working after retirement?* which is available from your employer or DRS. You may also access a copy from the DRS Web site.

Inform your employer of previous TRS membership

It is important that you tell your employer if you have any prior TRS membership, even if you withdrew your contributions.

Name or address change

If you have made a change to your name or address, and you are an:

Active member:

- Download the *Name/Address Change* form from the DRS Web site and submit the completed form to your employer.

Inactive member:

- Download the *Name/Address Change* form from the DRS Web site or contact DRS for a copy of the form. Submit the completed form to DRS.

Designating a beneficiary

To designate a beneficiary, or to change a beneficiary designation, submit a completed *Beneficiary Designation* form to DRS. The form is available from your employer or from the DRS Web site.

Can I restore credit for past service?

Restoring TRS service credit

To restore service credit for a period of employment for which you’ve withdrawn your contributions, you must begin repaying the amount withdrawn plus interest by June 30 of the fifth school year following your return to membership, or by retirement, whichever comes first. See “Payment schedule” below.

Payment schedule

Payments may be made in a lump sum or in installments. The first installment must be at least 20 percent of the amount due, and the final payment must be made by June 30 of the fourth school year following the school year in which the first payment was made, or before retirement, whichever comes first. All payments must be completed by the statutory deadline. Partial restorations are not allowed. This payment schedule does not apply to restoring dual membership service credit.

Purchasing service credit after the statutory deadline

It is still possible to purchase withdrawn and some optional service credit after the statutory deadline. The cost for purchasing service credit after the deadline is considerably more expensive. You can learn more about purchasing service credit by obtaining the DRS brochure, *Plan 1 Recovery of Withdrawn*

or *Optional Service Credit* Publications are available from DRS, your employer, or the DRS Web site.

What if I've previously been a member of another retirement system?

Dual membership

If job changes have caused you to establish membership in more than one retirement system, you may qualify as a dual member, even if your membership in another system was terminated.

You qualify for dual membership if you meet all the following criteria:

- You are currently a member of TRS, the Public Employees' Retirement System, the School Employees' Retirement System, the Washington State Patrol Retirement System, Plan 2 of the Law Enforcement Officers' and Fire Fighters' Retirement System, or the City Retirement System of Tacoma, Seattle, or Spokane;
- You previously contributed to a dual member system other than the one to which you now belong;
- You have not retired for service from any dual member system, or any other DRS-administered system; and
- You are not receiving disability retirement or disability leave benefits from any dual member system, or any other DRS-administered retirement system.

You are not required to retire under dual membership provisions if your benefit will be higher by retiring from each system separately.

Service credit for dual members

Dual members may combine service credit from qualified systems to become eligible for retirement.

EXAMPLE:

Combined service credit

Suppose you are age 53 and have 20 years of TRS Plan 1 service credit. If you also have 10 years of service credit in PERS Plan 1, you have a total of 30 years of service credit — enough to retire immediately under the rules of either system.

The provisions of each plan determine the amount of your benefit from each and when it can begin. If you are a dual member of two Plan 1 systems, and your combined service credit exceeds 30 years, benefit reductions will be made to comply with retirement law regarding the maximum benefit amount.

Dual members may have the option of restoring service credit in the other system(s). See "Restorations for Dual Members" below. If you retire under dual membership provisions, your benefit will be calculated using the highest base salary from either system. See "Calculating benefits for dual members" on page 11.

Restorations for dual members

If you are a dual member and wish to restore service credit in a system other than TRS, you must repay the amount withdrawn, plus interest, within two years of first becoming a dual member or before you retire, whichever comes first. To determine how much you owe in order to restore service credit, contact DRS.

We will need the following information:

- Your name, Social Security number, address and daytime phone number, and
- The system(s) in which you want to restore service credit.

To complete restoration under this provision, a lump sum payment must be made by the statutory deadline.

The provisions governing dual membership do not permit you to:

- Partially restore any single withdrawal, or
- Restore contributions and reestablish service credit in a system in which you are currently a member unless you are otherwise entitled.

How do I retire?

Vesting

You have a vested right to a retirement benefit after you earn five or more service credit years. “Vesting” means you have earned the right to a future benefit, even if your covered employment ends. However, if you withdraw your contributions and terminate your membership, you give up your right to retirement benefits.

As you get closer to retirement

Consider the following:

- If you are within a year of your retirement date, request an estimate of your benefit from DRS. DRS will send a retirement application with your estimate.
- Use *Online Account Access* to create an estimate of your retirement benefit and to check the accuracy of your service credit. If you find information that you think is incorrect, contact DRS.
- Evaluate the option to purchase additional service credit when you retire. See “What is the purchase additional service credit option?” on page 13.
- Review options for health care coverage after retirement. Contact the Health Care Authority (HCA) at 1-800-200-1004 or visit the HCA Web site at www.hca.wa.gov for more information.
- Consider “catch-up” options for the Deferred Compensation Program or other employer-sponsored programs.

- Obtain a copy of IRS Publication 575, *Pension and Annuity Income*, also available on the Web at www.irs.gov.
- Contact the Social Security office periodically to review the accuracy of your file. The toll-free telephone number for Social Security information is 1-800-772-1213. You can also obtain valuable information about Social Security and Medicare by visiting the Social Security Administration Web site at www.socialsecurity.gov.

Applying for retirement

You can complete the entire retirement process via the mail. See DRS contact information on page 18. If you prefer to visit DRS to review your account information and retirement options, Retirement Services Analysts are available to assist you. Please call for an appointment.

If you write to DRS for specific information about your pension account, be sure to provide your Social Security number and signature.

Can I obtain a refund of contributions paid after 30 years of service?

If you attain 30 service credit years, you can make a one-time, irrevocable election to participate in a program in which post 30-year contributions are refunded at retirement. Program participants earn 7.5 percent interest on their post 30-year contributions. If you participate in the program, your monthly retirement benefits will be based on earnings prior to your election date. Your election date is the first of the month following the date DRS receives your election form. Election to participate is irrevocable and must be made within six months after earning 30 service credit years.

In the months prior to your 30th service credit year, DRS will contact you with information to

help you make an informed decision. To learn more about the Post 30-Year Program, visit the DRS Web site or obtain a copy of the DRS brochure *Does Working Beyond 30 Years Affect My Benefit?*

What is my service retirement benefit?

Eligibility

You are eligible to retire if you:

- Have at least 30 service credit years regardless of age,
- Are at least age 55 and have at least 25 service credit years, or
- Are age 60 or older and have at least five service credit years.

Using out-of-state teaching service to qualify for retirement

Vested TRS members may use service credit earned in a public teachers' retirement system in another state to qualify for retirement. Out-of-state service is not used in your benefit calculation. It affects only your retirement date. If you use out-of-state credit to qualify for retirement, your benefit will be reduced to reflect the use of the out-of-state service. Contact DRS for an information packet on out-of-state service credit.

Using sick leave to qualify for retirement

You may use up to 45 days of unused sick leave to help you qualify for retirement. Sick leave not cashed out by your employer may be converted to a maximum of .25 years of service credit. This service credit is not used in the calculation of your benefit. It can only be used to qualify for retirement.

Your retirement benefit

Your monthly retirement benefit is the sum of:

- Your pension, which is funded by the state and supplemented by contributions from your employer, and

- Your annuity, which is equivalent in value to your contributions and the interest. When you receive an annuity, you get a series of monthly benefit payments that last as long as you live instead of a lump sum of cash.

Calculating your benefit

If you do not withdraw any of your contributions, the overall amount of your "maximum monthly retirement benefit" is calculated using the formula below:

TRS Plan 1 Benefit Formula
2 percent
x
service credit years (max. of 30 years)
x
average final compensation (AFC)
÷
12 months

Add the earnable compensation for your two consecutive highest-paid fiscal years (July 1 - June 30), and then divide by two to determine your AFC. See example below.

Though other formulas may be used, the formula shown above generally yields a higher benefit. Your benefit will be calculated using the formula that pays you the higher benefit. Contact DRS for details.

EXAMPLE:

Benefit calculation

Suppose you retire at age 55 with 29 years of service credit and an average final compensation of \$50,000. If you do not withdraw any of your contributions and interest (the annuity portion of your benefits), your monthly retirement benefit will be \$2,416.66, calculated as follows:

$$2\% \times 29 \text{ years} \times \$50,000 \div 12 \text{ months} = \$2,416.66$$

Your maximum monthly benefit would be \$2,416.66.

Changing your annuity

When you retire, you may withdraw all or part of your contributions plus interest. Your monthly benefit is reduced based on the amount you withdraw.

Any part of the withdrawn amount that was tax-deferred when contributed, plus interest, is subject to a 20 percent withholding tax. You can avoid the tax by transferring the tax-deferred annuity directly into a qualified tax-deferred retirement account.

Purchasing an additional annuity

When you apply for retirement, you can increase your monthly benefit payment by making a one-time lump-sum payment to your annuity fund to purchase a larger annuity. You may roll over funds from another tax-deferred retirement account into TRS. You can purchase an amount up to the value of your existing annuity. Contact DRS for more information.

Full-time equivalency salary

If you work for two years in a row at less than full time, DRS may calculate your AFC based on a full-time equivalency basis. Contact DRS for more information regarding full-time equivalency.

Calculating benefits for dual members

The service retirement benefit for dual members is the sum of the benefits they earned separately from each system. Dual members with a total of five or more years of service credit from all systems are entitled to a benefit from each system, even if they have less than five years of service credit in any of the systems.

If you retire under the provisions of dual membership, your average final compensation will be based on the following (whichever produces the better benefit):

- Your compensation from each system (as defined in that system) to determine that system's benefit, or
- Your highest base salary from either system.

Base salary is the salary or wages you earned, excluding overtime, lump-sum cashouts, severance pay and bonuses.

EXAMPLE:

Dual member benefits

Suppose you are 60 years old and have four years of service credit from PERS Plan 1 and 16 years of service credit from TRS Plan 1. Without dual membership, your PERS service would not qualify for a PERS benefit. With your TRS service, however, you have more than the five-year minimum needed for vesting. You will receive a benefit from each plan, calculated according to the rules of each system as follows:

PERS Plan 1:

$$\begin{aligned} &2\% \times 4 \text{ years of PERS service credit} \\ &\times \text{average final compensation} \div 12 \text{ months} \\ &= \text{PERS benefit} \end{aligned}$$

TRS Plan 1:

$$\begin{aligned} &2\% \times 16 \text{ years of TRS service credit} \\ &\times \text{average final compensation} \div 12 \text{ months} \\ &= \text{TRS benefit} \end{aligned}$$

What are my benefit options?

When you apply for a service or disability retirement, you must select a benefit option. If you are married, the law requires that you provide the written consent of your spouse to your choice. Consent must be in writing and must be notarized. **If consent is not provided, the law requires that an Option 3 benefit be paid with your spouse as beneficiary.** Retirement applications contain the spousal consent authorization.

Maximum retirement benefit option

This option provides the highest possible monthly benefit, which is payable for your lifetime. If you die before you receive the value of your accumulated contributions, any remaining balance of your contributions will be retained in the trust fund. Your beneficiary receives only the unpaid final monthly benefit due on the date of your death. This option is slightly different for disability retirees. See “What if I become disabled?” on page 14.

OPTION 1

Standard option

This option provides you a reduced benefit for your lifetime. When you die, the final unpaid monthly benefit due at the time of your death and any remaining balance from your annuity fund account are paid in a lump sum to your beneficiary. This option is not available to disability retirees, or those who withdraw all their contributions and interest.

OPTION 2

Joint and 100 percent survivorship

This option provides you a reduced benefit. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

OPTION 3

Joint and 50 percent survivorship

This option provides you with a reduced benefit. If your designated beneficiary survives you, 50 percent of your benefit amount is paid to your beneficiary for his or her lifetime.

OPTION 4

Joint and 66.67 percent survivorship

This option provides you with a reduced benefit. If your designated beneficiary survives you, 66.67 percent of your benefit amount is paid to your beneficiary for his or her lifetime.

Changing a benefit option after retirement

Once you retire you may change your benefit option and beneficiary only by returning to active membership, **except in the following circumstances:**

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit can be adjusted to the maximum benefit by written request to DRS.
- If you choose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to the Maximum Benefit Option any time after retirement. This option can be used only once and is irrevocable.
- If you retire under the Maximum or Option 1 benefit, then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. You must request this change between the first and second year of your marriage. If you change to a survivor option, your benefit will be reduced accordingly. This option can be used only one time and is irrevocable.

Lump sum instead of a monthly benefit

If your monthly benefit is less than \$50, you may choose to take a lump sum payment. The lump sum is determined by comparing the projected value of your lifetime benefit to the total of your contributions, plus interest. The greater amount will be paid to you. The recipient of such a payment is considered retired from TRS.

What is the purchase additional service credit option?

When you retire, you may purchase additional service credit to increase your monthly benefit. You may purchase from one to 60 months in whole month increments. The purchased credit **may not** be used to qualify for retirement. You must submit the *Request to Purchase Additional Service Credit* form to DRS at the same time you submit your retirement application.

Your benefit increase is based on the number of months you purchase and your average final compensation (AFC). The formula used is:

$$\text{Months of Service Purchased} \div 12 \times 2\% \times \text{AFC} \\ = \text{Monthly Increase}$$

The cost to purchase additional service credit is determined by the annuity factor for your age at retirement and the monthly increase amount. The formula used is:

$$\text{Monthly Increase} \div \text{Annuity Factor} = \\ \text{Cost to Purchase}$$

For more information, review the DRS publication *Purchasing Additional Service Credit* available on the DRS Web site. You may also estimate the monthly increase and cost by using *Online Account Access* on the DRS Web site. Once you are in your account, select the *Purchasing Service* link.

Can I continue health care coverage after I retire?

If you qualified for Public Employees Benefits Board (PEBB) health insurance coverage while employed, you must elect PEBB coverage within 60 days of separation from employment.

All health care questions should be directed to the Health Care Authority (HCA) at (360) 412-4200 in Olympia area or 1-800-200-1004 outside Olympia. You may also visit the HCA Web site at www.hca.wa.gov.

Can my benefit increase after I retire?

Uniform COLA

Once you have been retired at least one year and are age 66 or older, you qualify to receive the Uniform COLA. The size of your benefit adjustment will be based on the total service credit you accumulated as a TRS member.

Once you qualify for the Uniform COLA, you receive your first benefit adjustment in July following your 66th birthday. Your benefit will be adjusted each July thereafter. If you chose a survivor option (see page 12) and you die, your beneficiary will receive the COLA in July following his or her 66th birthday, provided that it is at least one year after you retired.

The Uniform COLA is calculated by multiplying your years of service times the COLA factor. As of July 1, 2006, the COLA factor was \$1.29. This amount may increase by no more than three percent of the previous year's increase.

Optional COLA

When applying for retirement, you may elect to receive an Optional COLA. To offset the cost of this annual adjustment, your benefit is reduced. The Optional COLA is up to three percent per year, as measured by the Consumer Price Index of Seattle, and takes

effect in July after you have been retired for one full year.

Gain sharing

To qualify for gain sharing you must first qualify for the Uniform COLA. When earnings for the state retirement fund average more than 10 percent over a four-year period, the portion over 10 percent is declared “extraordinary gains.” One-half of the extraordinary gains is used to increase retirement benefits. The four-year average is measured every two years, and if there are extraordinary gains, gain sharing benefits will be paid in January of even-numbered years. The base amount for the gain sharing benefit is computed by the State Actuary. The gain sharing amount is paid for each year of service credit earned. The gain sharing amount is added to the Uniform COLA base amount and used in the COLA calculation in July. (This increase will be reflected in the payment you receive on the last business day of July.)

What if I work after retirement?

Your benefits may be affected if you work for a TRS-covered employer after retirement. Under state law, your employer is required to report your hours to DRS. In most cases, you can work up to 1500 hours in a school year (July-June) before your retirement benefit is suspended.

When you apply for retirement you will receive the brochure, *Thinking About Working After Retirement?* in your retirement application packet. The brochure will inform you of the rules regarding post-retirement employment. If you are unsure, please call DRS before you return to work. You can also obtain a copy of *Thinking About Working After Retirement?* by contacting DRS or by referring to the DRS Web site at www.drs.wa.gov.

What if I become disabled?

Plan 1 provides two types of disability benefits:

- Temporary disability benefits, payable for up to two years of continuous disability, and
- Permanent disability retirement benefits, payable if you have at least five years of service credit.

Eligibility for temporary disability benefits

You must be:

- A member employed full time by a Washington public school at the time the disability occurs,
- Mentally or physically incapacitated for the performance of duty for at least 60 consecutive calendar days from the date of disablement, and
- A TRS member employed full time in a covered position when applying for and receiving temporary disability benefits.

For more information about eligibility requirements, see the brochure, *TRS Plan 1 Disability Benefits*, available from TRS or your employer. This publication is available on the DRS Web site at www.drs.wa.gov.

Benefits. Temporary disability benefits are \$180 per month for up to two years for a single disability. The first payment is retroactive to the effective date of the disability. Benefits are not paid for periods of disability shorter than 60 consecutive calendar days, or for periods following separation from employment.

You may apply for benefits after you have been disabled for 60 consecutive calendar days. Applications must be filed no later than four years from the date of disability. The application can be made by you, your employer or by the legal representative (estate) of a deceased member who was eligible for benefits within the time limits.

A doctor's report is required with the application. TRS may periodically also require additional doctor's reports. Application forms and medical report forms are available from DRS.

Eligibility for permanent disability retirement benefits

You must:

- Be permanently disabled for the performance of your duties while employed under an annual contract as a contributing member of TRS,
- Have five or more years of service credit, and
- End your public school service. (Members are advised to apply for disability retirement and establish eligibility before separating from employment.)

If you qualify for a service retirement, your benefit will be processed as a service retirement, rather than as a disability retirement.

Benefit formula. A disability retirement benefit is calculated the same as a service retirement. Members with at least five years of service credit also have survivor benefit options. These options are the same as those described on page 12, with one exception: If you choose the maximum retirement benefit and then die before receiving annuity payments equal to the value of your accumulated contributions, the balance of your contributions will be paid to your beneficiary or estate. **If your disability is terminal, we encourage you to discuss survivor benefits with a DRS Retirement Services Analyst.**

Disability withdrawal of contributions

A disabled member who has terminated employment has the option of withdrawing his or her contributions, plus interest, and terminating membership in the plan. This would cancel all rights and eligibility for future benefit payments.

Termination of benefits

A member retired for disability may be required to undergo a medical examination at any time. If the examination shows that the member is no longer disabled for the performance of public school service, the disability retirement benefit may be terminated. If that happens, full membership in TRS will be restored.

For more information about your disability benefits, see the brochure, *TRS Plan 1 Disability Benefits*. You can obtain this publication from DRS, your employer, or the DRS Web site.

What benefits do my survivors receive?

If you die after retirement

If you die after you begin a service or disability retirement, your survivors receive benefits according to the retirement option you chose.

If you die before retirement

If you die while employed or while receiving temporary disability benefits, the benefits paid to your survivors depend on your age and service credit. These benefits are also payable to your survivors if you left TRS-covered employment but did not withdraw your contributions.

Fewer than 10 years of service and ineligible to retire

If you die before earning 10 years of service credit and before becoming eligible for retirement, your beneficiary receives your contributions, plus interest.

Ten or more years of service or eligible to retire

If you die after earning 10 years of service credit or after becoming eligible to retire, your survivors may choose between:

- A monthly benefit calculated as if you had elected Option 2 (see page 12), and

reduced to reflect your age at the time of death (available only to a spouse or IRS-qualified dependents), or

- A refund of your contributions, plus interest.

Surviving spouse benefits continue for the life of the spouse. Dependent survivor benefits continue as long as proof of dependency is maintained or until the dependent(s) reaches the age of majority. At that point, any remaining member contributions will be paid in a lump sum to the beneficiary.

If you have no surviving spouse or IRS-qualified dependents, your remaining contributions will be paid in a lump sum to your designated beneficiary.

Lump sum death benefit

An additional, one-time death benefit may also be payable to your beneficiary. Your beneficiary will receive \$600 if you die while employed full-time in a TRS position or when eligible to receive temporary disability benefits. Your beneficiary will receive \$400 if you die after ending TRS-covered employment with at least ten years of service credit or if you were eligible to retire.

If you die as a result of injuries sustained in the course of employment

If you die as a result of injuries sustained in the course of employment and the Department of Labor and Industries has determined eligibility for the payment, DRS will pay a \$150,000 death benefit to your designated beneficiary.

Designating a beneficiary

As an active member, you should keep the beneficiary designation in your TRS record up-to-date. If you marry or divorce, you should file a new beneficiary designation form, even if your beneficiary remains the same. If you fail to file a beneficiary designation form, DRS automatically pays your surviving spouse or, if none, your estate.

To change your beneficiary, you must submit a beneficiary designation form to DRS. Forms for this purpose are available from your payroll department or DRS.

At retirement, if you choose either the Maximum Benefit Option or the Option 1 (see page 12), you may name a trust, your estate, an organization, or a person as your beneficiary. However, if you choose a survivor benefit option at retirement, you must select a person as your beneficiary.

Once you retire you may change your benefit option and beneficiary only by returning to active membership, **except in the following circumstances:**

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit can be adjusted to the maximum benefit by written request to DRS.
- If you choose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to the Maximum Benefit Option at any time after retirement. This option can be used only one time and is irrevocable.
- If you retire under the Maximum or Option 1 benefit, then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. You must request this change between the first and second year of your marriage. If you opt for a survivor option, your monthly benefit will be reduced. This option can be used only one time and is irrevocable.

Taxation and assignment of benefits

Federal income taxes

Most of your retirement benefit is subject to federal income tax. The only portion that is exempt from tax is the part that was taxed before it was contributed. Since September 1, 1984, your contributions made through payroll deductions have not been taxed.

After you retire, DRS will let you know what portion of your contributions has already been taxed. The IRS refers to this taxed amount as your “cost basis.”

You must complete a W-4P form to tell DRS how much of your monthly benefit should be withheld for taxes. If you do not, DRS will follow the IRS rules that require withholding as if you are married and claiming three exemptions. It is your responsibility to declare the proper amount of taxable income on your income tax return.

Assignment and attachment of benefits

Retirement benefits generally are not subject to assignment or attachment or the operation of bankruptcy or insolvency laws. However, payments received by you in the form of retirement benefits or as a refund of your contributions may be subject to payment of court and administrative orders for spousal maintenance and child support, or payment of any orders authorized by federal law.

DRS is authorized to divide pensions between members and ex-spouses based upon court-ordered property division. If the divorce decree complies with the applicable law, TRS will send the property division payment directly to the ex-spouse. For more information, refer to the DRS brochure, *Can Legal Action Affect My Retirement Benefit?* available from DRS or your employer. This brochure is also on the DRS Web site at www.drs.wa.gov.

Why does DRS need my Social Security number?

DRS requires that you provide your Social Security number when you are conducting business with the agency. Internal Revenue Code Sections 6041 (A), and 6109 authorize DRS to solicit your Social Security number.

- DRS will use your Social Security number to track all data regarding your retirement account and to report required information to the IRS.
- DRS will not disclose your Social Security number to any party unless required to do so by law.

Administrative information

Keep DRS informed of your mailing address

After you retire, it is important that you keep DRS informed of your current mailing address, even if you have your check deposited directly in your bank or credit union account. This way you can be assured of receiving information about your benefits and income taxes in a timely manner.

Administration of the system

The Teachers' Retirement System is administered by the Department of Retirement Systems. The Director of DRS is appointed by the Governor.

Benefit adjustments

If you receive an overpayment of your retirement benefit or withdrawal, DRS will require repayment of the overpaid funds. If there is an underpayment, DRS will correct the error and pay you in full.

Petitions and appeals

Under the DRS internal review procedures, all “appeals” begin as “petitions.” You may challenge a decision of a DRS administrator by filing a petition within 120 days of your receipt of the decision. A petition will be reviewed by the DRS Petitions Examiner.

To file a petition, complete and submit a detailed statement of:

- The relief you are requesting;
- The facts relating to your petition, including any relevant documents or sworn statements which support your request for relief;
- The legal basis for your petition, including any relevant legal provisions or precedents;
- The name and address of your legal counsel, if you choose to be represented; and
- Your name, address, Social Security number, and signature.

The Petitions Examiner will ask for relevant information from the involved parties. Usually this means you, DRS itself, and possibly your employer. After review, the Petitions Examiner will enter a written decision and mail that decision to you by certified mail.

If you are not satisfied with the petition decision, you may file an appeal within 60 days of receipt of the decision. Included with your petition decision will be information describing how to file an appeal. An appeal will be heard by either the DRS Presiding Officer or an Administrative Law Judge.

Contacting DRS

Contact DRS for the following:

- To obtain more information about your rights and benefits under this plan.
- To apply for retirement.
- To schedule an appointment to review your defined benefit account information and retirement options in person.
- To obtain copies of DRS publications mentioned in this handbook (publications are also available on our Web site).

When you contact DRS about personal account information, be sure to include:

- Your Social Security number
- Your signature (for written correspondence)
- Your daytime telephone number
- Your mailing address
- The plan from which you are requesting information

Mailing Address

Teachers' Retirement System
Post Office Box 48380
Olympia, Washington 98504-8380

Telephone

Olympia.....(360) 664-7000
Toll-free.....1-800-547-6657
TDD Line (hearing impaired)....(360)586-5450
Toll Free TDD Number.....1-866-377-8895
Fax Number(360) 753-3429

E-mail Address

recep@drs.wa.gov

Important: Electronic mail messages sent over the Internet may not be confidential. It may be possible for other people to read your e-mail message. For security purposes, include only the last four digits of your Social Security number.

Web Address

www.drs.wa.gov

The DRS Web site contains the most recent edition of this handbook and other member publications for TRS and other DRS-administered systems.

The site also includes:

- Online access to your account, allowing you to review information such as your employment history, beneficiary information, and annual statements.
- Recent issues of the member newsletter, *Retirement Outlook*.
- Information about recent retirement-related legislation.
- A variety of other information of interest to retirement system members and public employers in Washington state.

Other DRS publications for TRS members

The following DRS publications can be obtained from your employer or by calling DRS. All TRS publications are available on the DRS Web site at www.drs.wa.gov.

- *TRS Plan 1 Disability Benefits*
- *Thinking About Working After Retirement*
- *The Substitute Teacher's Guide to Obtaining Service Credit*
- *Can Legal Action Affect My Retirement Benefit?*
- *Plan 1 Recovery of Withdrawn or Optional Service Credit*
- *Withdrawal of Retirement Contributions*
- *What Is Dual Membership and How Does It Affect Me?*
- *Does Working Beyond 30 Years Affect My Benefit?*
- *TRS Plan 1 Military Service Credit*

Other DRS-administered retirement systems

- Public Employees' Retirement System
- School Employees' Retirement System
- Public Safety Employees' Retirement System
- Law Enforcement & Fire Fighters' Retirement System
- Washington State Patrol Retirement System
- Judicial Retirement System
- Judges' Retirement Fund

